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STOCK EXCHANGES

NEW YORK, PHILADELPHIA, BOSTON & BALTIMORE

FINANCIAL AND COMMERCIAL.

TUESDAY, May 31.

The markets to-day presented the unusual spectacle of an abrupt break in stocks accompanying an equally extraordinary break in cotton and a decline in wheat. The very favorable inferences that might easily be drawn from declines in wheat and cotton, which must greatly accelerate the export movement, were entirely ignored; attention was centred altogether upon the efforts of the Administration at Washington to prevent the railroads from putting into effect increases in freight rates and upon the action of the United States Supreme Court in the very important Missouri River rate case and the corporation income tax case. The increases in freight rates had long been planned by managers of all the big railroad systems of the country to compensate them for the radical increases in wages which have been awarded by most of the railroads of the country and for other increases in expenses brought about by the prevailing high prices for many materials necessary in railroad construction and maintenance. The Western roads had taken the lead in the movement for an increase of freight rates and more than a month ago filed with the Interstate Commerce Commission many new schedules noticed to take effect June 1. There had been grumbling among shippers over the proposed increases, but up to the last two or three days of the month no opposition had developed of sufficient consequence to disturb railroad managers and the impression had become settled in the minds of security holders that the new rates would be accepted without any formidable opposition and that railroad managers would accordingly be in a position to distribute among security holders such ample dividends as are warranted by the current high cost of living. When, therefore, it became known to-day that in the market recess of three days very strong pressure had been brought to bear upon the Administration by organizations of shippers in the West and by their representatives in Congress the market paused in an advance maintained by American stocks in London during the recess. When subsequently it was announced that Senator La Follette had introduced a resolution instructing the Attorney-General to secure an order enjoining the railroads from putting the new rates into effect to-morrow the market first wavered uncertainly and then sold off easily. And when later it became known that President Taft had instructed the Attorney-General to apply for such an injunction stocks broke violently. There was that element of surprise in the unfavorable news that ordinarily produces the more violent movements in the markets. Preconceived opinions were forgotten and speculators at once considered that the Administration must be successful in its eleventh hour endeavor to upset business arrangements which, though before for a month, had encountered no opposition from it; that its action must induce liquidation of investment stocks by holders throughout the country, and quite as important in its bearing on the immediate future, that the setback to the railroads, whether or not permanent, would delay negotiations for the sale of bonds abroad which up to the present have progressed satisfactorily. For this peculiarly pessimistic construction of the Administration's action some justification seemed to be afforded by the action of the United States Supreme Court in ordering a rearrangement of the corporation income tax cases and more especially by the decision of the court in the Missouri River rate case. This decision also came as a surprise, for the Circuit Court of Appeals had decided in favor of the railroads and it had not been apprehended, as turned out to be the case, that the Supreme Court would reverse this decision. The importance of the case had also not been generally understood for the reason that it involved many technical points of one of the most technical of all branches of business. The main point at issue was the power of the Interstate Commerce Commission to reduce rates that had been long established according to principles that have been followed by traffic managers for many years. Another point concerned the right of railroads to continue greatly different rates per mile for the long and short haul and still another the right of the commission to change rates to the detriment of various important trade centers and to the advantage of others. In the decision of the Circuit Court favoring the railroads Judge Grosscup admitted that the commission had power to make effective rates whereby the difference between the long and short haul might taper downward, and added "But it does not follow that power of that character includes power by the use of differentials artificially to divide the country into trade zones tributary to given trades and manufacturing centers, the commission having in such cases as a result to predetermined what the trade and manufacturing centers shall be, for such power, vaster than any one body of men has heretofore exercised, though wisely exerted in specific instances, would be putting into the hands of the commission the general power of life and death over every trade and manufacturing centre in the United States."

Declines of 2 to 4 points in the standard speculative and investment shares were frequent and closing prices were close to the low prices of the day. The trading was the most active since May 6, when news of prospective large sales of bonds abroad brought about an abrupt recovery from a reactionary movement then of long duration. Apart from the news from Washington and the highly favorable action of the grain and cotton markets developments of market import were practically confined to statements of the Union Pacific, Southern Pacific and Pennsylvania railroads, all of which showed gratifying increases in gross earnings converted into inconsequential changes in net earnings by exceptionally heavy increases of expenses. The bankers were preparing without the slightest concern to pay the \$85,000,000 interest and dividend disbursements due to-day, and there was no change of consequence in the money situation.

New York Stock Exchange Sales, May 31.
CLOSING PRICES OF UNITED STATES BONDS.
Bid Asked

1900 Amer. 100% 10/11	114 1/2 110 1/2
1900 Amer. 100% 10/12	109 1/2 100 1/2
1900 Amer. 100% 10/13	109 1/2 100 1/2
1900 Amer. 100% 10/14	109 1/2 100 1/2
1900 Amer. 100% 10/15	109 1/2 100 1/2
1900 Amer. 100% 10/16	109 1/2 100 1/2
1900 Amer. 100% 10/17	109 1/2 100 1/2
1900 Amer. 100% 10/18	109 1/2 100 1/2
1900 Amer. 100% 10/19	109 1/2 100 1/2
1900 Amer. 100% 10/20	109 1/2 100 1/2
1900 Amer. 100% 10/21	109 1/2 100 1/2
1900 Amer. 100% 10/22	109 1/2 100 1/2
1900 Amer. 100% 10/23	109 1/2 100 1/2
1900 Amer. 100% 10/24	109 1/2 100 1/2
1900 Amer. 100% 10/25	109 1/2 100 1/2
1900 Amer. 100% 10/26	109 1/2 100 1/2
1900 Amer. 100% 10/27	109 1/2 100 1/2
1900 Amer. 100% 10/28	109 1/2 100 1/2
1900 Amer. 100% 10/29	109 1/2 100 1/2
1900 Amer. 100% 10/30	109 1/2 100 1/2
1900 Amer. 100% 10/31	109 1/2 100 1/2
1900 Amer. 100% 10/32	109 1/2 100 1/2
1900 Amer. 100% 10/33	109 1/2 100 1/2
1900 Amer. 100% 10/34	109 1/2 100 1/2
1900 Amer. 100% 10/35	109 1/2 100 1/2
1900 Amer. 100% 10/36	109 1/2 100 1/2
1900 Amer. 100% 10/37	109 1/2 100 1/2
1900 Amer. 100% 10/38	109 1/2 100 1/2
1900 Amer. 100% 10/39	109 1/2 100 1/2
1900 Amer. 100% 10/40	109 1/2 100 1/2
1900 Amer. 100% 10/41	109 1/2 100 1/2
1900 Amer. 100% 10/42	109 1/2 100 1/2
1900 Amer. 100% 10/43	109 1/2 100 1/2
1900 Amer. 100% 10/44	109 1/2 100 1/2
1900 Amer. 100% 10/45	109 1/2 100 1/2
1900 Amer. 100% 10/46	109 1/2 100 1/2
1900 Amer. 100% 10/47	109 1/2 100 1/2
1900 Amer. 100% 10/48	109 1/2 100 1/2
1900 Amer. 100% 10/49	109 1/2 100 1/2
1900 Amer. 100% 10/50	109 1/2 100 1/2
1900 Amer. 100% 10/51	109 1/2 100 1/2
1900 Amer. 100% 10/52	109 1/2 100 1/2
1900 Amer. 100% 10/53	109 1/2 100 1/2
1900 Amer. 100% 10/54	109 1/2 100 1/2
1900 Amer. 100% 10/55	109 1/2 100 1/2
1900 Amer. 100% 10/56	109 1/2 100 1/2
1900 Amer. 100% 10/57	109 1/2 100 1/2
1900 Amer. 100% 10/58	109 1/2 100 1/2
1900 Amer. 100% 10/59	109 1/2 100 1/2
1900 Amer. 100% 10/60	109 1/2 100 1/2
1900 Amer. 100% 10/61	109 1/2 100 1/2
1900 Amer. 100% 10/62	109 1/2 100 1/2
1900 Amer. 100% 10/63	109 1/2 100 1/2
1900 Amer. 100% 10/64	109 1/2 100 1/2
1900 Amer. 100% 10/65	109 1/2 100 1/2
1900 Amer. 100% 10/66	109 1/2 100 1/2
1900 Amer. 100% 10/67	109 1/2 100 1/2
1900 Amer. 100% 10/68	109 1/2 100 1/2
1900 Amer. 100% 10/69	109 1/2 100 1/2
1900 Amer. 100% 10/70	109 1/2 100 1/2
1900 Amer. 100% 10/71	109 1/2 100 1/2
1900 Amer. 100% 10/72	109 1/2 100 1/2
1900 Amer. 100% 10/73	109 1/2 100 1/2
1900 Amer. 100% 10/74	109 1/2 100 1/2
1900 Amer. 100% 10/75	109 1/2 100 1/2
1900 Amer. 100% 10/76	109 1/2 100 1/2
1900 Amer. 100% 10/77	109 1/2 100 1/2
1900 Amer. 100% 10/78	109 1/2 100 1/2
1900 Amer. 100% 10/79	109 1/2 100 1/2
1900 Amer. 100% 10/80	109 1/2 100 1/2
1900 Amer. 100% 10/81	109 1/2 100 1/2
1900 Amer. 100% 10/82	109 1/2 100 1/2
1900 Amer. 100% 10/83	109 1/2 100 1/2
1900 Amer. 100% 10/84	109 1/2 100 1/2
1900 Amer. 100% 10/85	109 1/2 100 1/2
1900 Amer. 100% 10/86	109 1/2 100 1/2
1900 Amer. 100% 10/87	109 1/2 100 1/2
1900 Amer. 100% 10/88	109 1/2 100 1/2
1900 Amer. 100% 10/89	109 1/2 100 1/2